

## Message Text

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ACTION AGRE-00

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E.O. 11652: N/A  
TAGS: EAGR, BEXP, IV  
SUBJ: TROUBLE BREWING ON THE IVORY COAST -- LIBERIAN BORDER --  
COFFEE SMUGGLING BECOMES BIG BUSINESS

SUMMARY. DURING THE CURRENT CAMPAIGN, COFFEE SMUGGLING  
OUT OF IVORY COAST HAS BECOME A MAJOR PROBLEM WITH  
ESTIMATES OF ILLICIT TRADE RANGING FROM 6,000 TO 20,000  
TONS, MOST OF WHICH IS SMUGGLED OUT THROUGH LIBERIA.  
THE CAUSE OF THE SMUGGLING IS THE COMBINATION OF  
EXTRAORDINARILY HIGH WORLD MARKET PRICES AND THE  
POLICIES OF THE IVORY COAST'S MARKETING BOARD. END SUMMARY.

1. THE IVORY COAST'S MARKETING BOARD (CAISSE)  
COMPLETELY CONTROLS IVORY COAST TRADE IN COFFEE,  
AS WELL AS THAT OF SOME OTHER PRODUCTS. IT  
GUARANTEES SET PRICES TO THE PRODUCERS AND  
LICENSED EXPORTERS, CUSHIONING BOTH AGAINST WORLD  
PRICE FLUCTUATIONS. THE CAISSE ALSO PROVIDES  
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SERVICES TO MOVE THE COFFEE FROM FIELDS TO MARKET --  
SERVICES MOST FARMERS CANNOT PERFORM THEMSELVES.

2. WHEN THE MARKET IS DEPRESSED, THE CAISSE PAYS  
THE SUPPORT PRICE, THUS INCURRING LOSSES. CONVERSELY,  
WHEN THE MARKET BOOMS, THE CAISSE REAPS THE  
DIFFERENCE BETWEEN THE "FAIR" GUARANTEE PRICE

AND THE WORLD PRICE, THUS RECOUPING ITS LOSSES. ALTHOUGH THE CAISSE, SINCE ITS FOUNDING IN 1964, HAS OFTEN SUSTAINED LOSSES OR BARELY BROKEN EVEN, THE STABILIZATION SCHEME HAS BEEN MUCH ADMIRER AS METHOD OF DEALING WITH HIGHLY-VOLATILE COMMODITY PRICES. HOWEVER, WHEN THE DIFFERENTIAL BETWEEN THE "FAIR" SUPPORT PRICE AND THE WORLD MARKET PRICE BECOMES TOO GREAT, THE SYSTEM BEGINS TO BREAK DOWN.

3. IVORY COAST GREEN COFFEE NOW BRINGS ABOUT 1600 CFA PER KILOGRAM, WHILE THE GUARANTEED "FAIR" PRICE TO THE FARMER IS 180 CFA PER KILOGRAM AND THE "FAIR" PRICE TO THE EXPORTER IS 272 CFA PER KILO. THE CAISSE IS MAKING AT LEAST 1,000 CFA PER KILOGRAM AFTER DEDUCTING COSTS, WHILE THE FARMER AND THE EXPORTER ARE MAKING ONLY MODEST RETURNS DESPITE SKYROCKETING PRICES. WITH PRICES SO HIGH, THE TEMPTATION TO SKIP THE CAISSE, PAY THE DASH, AND SMUGGLE THE COFFEE OUT THROUGH LIBERIA BECOMES TOO GREAT. REPORTEDLY, LIBERIA WILL PAY THE DOLLAR EQUIVALENT OF 625 CFA TO 750 CFA PER KILOGRAM OF "HOT" COFFEE (LIBERIA'S CURRENCY IS THE U.S. DOLLAR).

4. AT MORE THAN THREE TIMES THE IVORY COAST PRICE, MORE AND MORE PRODUCERS ARE WILLING TO TAKE THE RISK. THE PROBLEM HAS BECOME SO SERIOUS TO THE GOIC THAT IT HAS STATIONED TROOPS ON THE BORDER SINCE FEBRUARY IN AN EFFORT TO STOP THE CONTRABAND. THIS IS, IN TURN, HAS POLITICAL CONSEQUENCES AS LIMITED OFFICIAL USE

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THE GUINEAN BORDER ABUTS BOTH LIBERIA'S AND THE IVORY COAST'S, AND PRESIDENT SEKOU TOURE HAS ACCUSED THESE TROOPS OF PLANNING AN ATTACK ON GUINE.

5. ALTHOUGH NOT CONFIRMED BY GOVERNMENT SOURCES, THERE CAN BE NO DOUBT ONE OF THE TOPICS OF CONVERSATION DURING HOUPHOUET-BOIGNY'S TRIP TO LIBERIA WAS HIS CONCERN OVER COFFEE SMUGGLING. NEVERTHELESS, COFFEE CONTINUES TO MOVE ACROSS THE BORDER AND PRODUCTION COUNTS IN THE REGION ARE "INEXPLICABLY LOW."

6. IN ADDITION TO SMUGGLING REPORTS, ANOTHER STORY IS MAKING ITS ROUNDS AMONG THE EXPORTERS. IT CONCERNS THE UNUSUAL MOVEMENTS OF A FREIGHTER FILLED WITH IVORIAN COFFEE WHICH REPORTEDLY DOCKED IN MONROVIA AND CHANGED THE COUNTRY OF ORIGIN PAPERS ON ITS 10,000 - TON CARGO OF GREEN COFFEE. THE CARGO, WITH LIBERIAN DOCUMENTS, WAS THEN SOLD DIRECTLY BY THE

OWNERS AT A TREMENDOUS PROFIT.IT IS RUMORED THAT  
HIGH OFFICIALS IN THE IVORIAN MINISTRY OF FINANCE WERE  
INVOLVED.

7. COMMENT: WHATEVER THE ACTUAL FIGURES ON  
CONTRABAND, IT IS CLEAR THAT THE PROBLEM IS OF GREAT  
CONCERN TO THE IVORY COAST. BESIDES THE QUESTION OF  
ILLICIT PRACTICES, WHICH HOUPHOUET ROUNDLY CONDEMNS,  
IVORY COAST IS LOSING AT LEAST 1,000 CFAF (\$4.00) ON  
EACH KILOGRAM OF COFFEE WHICH IS SMUGGLED THROUGH  
LIBERIA -- THAT IS, US\$ 4,000 PER TON, \$ 4 MILLION FOR  
A THOUSAND TONS, ETC. AT PRESENT ESTIMATES, IT  
WOULD THEN SEEM THAT IVORY COAST HAS LOST BETWEEN  
\$ 24 MILLION (6,000 TONS) AND \$ 80 MILLION (20,000 TONS)  
SINCE THE BEGINNING OF 1977. END COMMENT.  
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